

Annex Teen Clinic, Inc.

Financial Statements

December 31, 2022 and 2021

Annex Teen Clinic, Inc.

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Independent Auditors' Report

To the Board of Directors of
Annex Teen Clinic

Opinion

We have audited the financial statements of Annex Teen Clinic (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, cash flow and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Minneapolis, Minnesota
August 16, 2023

Annex Teen Clinic, Inc.Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 295,911	\$ 305,031
Accounts receivable, net of allowance of \$64,870 in 2022 and \$61,645 in 2021	247,475	335,651
Pledges receivable	18,036	110,370
Inventory	16,516	49,112
Prepaid expenses	<u>37,415</u>	<u>96,963</u>
Total current assets	<u>615,353</u>	<u>897,127</u>
Noncurrent Assets		
Property and equipment, net	<u>599,473</u>	<u>619,924</u>
Total assets	<u><u>\$ 1,214,826</u></u>	<u><u>\$ 1,517,051</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 17,632	\$ 28,042
Accrued salaries and vacation	158,104	127,292
Notes payable, current	<u>17,996</u>	<u>17,272</u>
Total current liabilities	193,732	172,606
Long-Term Liabilities		
Notes payable	<u>100,865</u>	<u>118,654</u>
Total liabilities	<u>294,597</u>	<u>291,260</u>
Net Assets		
Without donor restrictions	720,718	1,073,791
With donor restrictions	<u>199,511</u>	<u>152,000</u>
Total net assets	<u>920,229</u>	<u>1,225,791</u>
Total liabilities and net assets	<u><u>\$ 1,214,826</u></u>	<u><u>\$ 1,517,051</u></u>

See notes to financial statements

Annex Teen Clinic, Inc.

Statements of Activities

Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 168,872	\$ 199,511	\$ 368,383	\$ 245,895	\$ 152,000	\$ 397,895
United Way	176	-	176	74	-	74
Governmental contracts and grants	1,287,338	-	1,287,338	1,159,574	-	1,159,574
Program service fees	651,322	-	651,322	666,173	-	666,173
Investment income	17	-	17	3	-	3
Miscellaneous income	(9,760)	-	(9,760)	18,704	-	18,704
Net assets released from restrictions:						
Satisfaction of program and time restrictions	152,000	(152,000)	-	143,827	(143,827)	-
Total support and revenue	2,249,965	47,511	2,297,476	2,234,250	8,173	2,242,423
Expenses						
Program services:						
Health clinic	1,459,089	-	1,459,089	1,344,205	-	1,344,205
Health education	788,291	-	788,291	864,200	-	864,200
Total program service expenses	2,247,380	-	2,247,380	2,208,405	-	2,208,405
Support services:						
Management and general	140,415	-	140,415	72,677	-	72,677
Fundraising	215,243	-	215,243	114,228	-	114,228
Total support services expenses	355,658	-	355,658	186,905	-	186,905
Total expenses	2,603,038	-	2,603,038	2,395,310	-	2,395,310
Change in net assets	(353,073)	47,511	(305,562)	(161,060)	8,173	(152,887)
Net Assets, Beginning	1,073,791	152,000	1,225,791	1,234,851	143,827	1,378,678
Net Assets, Ending	<u>\$ 720,718</u>	<u>\$ 199,511</u>	<u>\$ 920,229</u>	<u>\$ 1,073,791</u>	<u>\$ 152,000</u>	<u>\$ 1,225,791</u>

See notes to financial statements

Annex Teen Clinic, Inc.

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (305,562)	\$ (152,887)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	41,088	45,159
Increase in allowance for doubtful accounts	3,225	61,645
Decreases (increases) in current assets:		
Accounts receivable	84,951	(14,313)
Pledges and grants receivable	92,334	(107,610)
Inventory	32,596	13,421
Prepaid expenses	59,548	(22,319)
Increases (decreases) in current liabilities:		
Accounts payable	(10,410)	(516)
Accrued salaries and vacation	30,812	(1,779)
Net cash flows from operating activities	<u>28,582</u>	<u>(179,199)</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(20,637)</u>	<u>(15,060)</u>
Net cash from investing activities	<u>(20,637)</u>	<u>(15,060)</u>
Cash Flows From Financing Activities		
Principal payments on notes payable	<u>(17,065)</u>	<u>(35,711)</u>
Net cash flows from financing activities	<u>(17,065)</u>	<u>(35,711)</u>
Net change in cash and cash equivalents	(9,120)	(229,970)
Cash and Cash Equivalents, Beginning	<u>305,031</u>	<u>535,001</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 295,911</u></u>	<u><u>\$ 305,031</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u><u>\$ 5,438</u></u>	<u><u>\$ 6,793</u></u>

See notes to financial statements

Annex Teen Clinic, Inc.

Statement of Functional Expenses

Year Ended December 31, 2022

With Comparative Totals for 2021

	2022							2021
	Program Services			Support Services				
	Health Clinic	Health Education	Total Program Services	Management and General	Fundraising	Total Support Services	Total	
Salaries	\$ 757,548	\$ 476,133	\$ 1,233,681	\$ 59,647	\$ 135,448	\$ 195,095	\$ 1,428,776	\$ 1,314,833
Employee benefits	65,193	39,986	105,179	4,982	11,588	16,570	121,749	129,746
Payroll taxes	60,744	38,198	98,942	4,821	10,932	15,753	114,695	86,989
Total personnel expenses	883,485	554,317	1,437,802	69,450	157,968	227,418	1,665,220	1,531,568
Participant expense	235,333	38,612	273,945	9,909	624	10,533	284,478	265,172
Professional fees	152,922	81,767	234,689	27,504	14,104	41,608	276,297	224,009
Office expense	87,312	35,602	122,914	674	12,162	12,836	135,750	101,370
Miscellaneous	6,246	364	6,610	9,884	922	10,806	17,416	20,149
Occupancy	36,977	22,743	59,720	9,377	3,881	13,258	72,978	59,815
Staff and volunteer development	18,134	6,241	24,375	742	21,589	22,331	46,706	19,261
Travel	5,383	3,887	9,270	-	20	20	9,290	900
Banking fees	83	-	83	12,129	1,482	13,611	13,694	-
Provider tax	9,897	-	9,897	-	-	-	9,897	-
School payments	-	30,224	30,224	-	-	-	30,224	-
Bad debt	-	-	-	-	-	-	-	127,907
Depreciation	23,317	14,534	37,851	746	2,491	3,237	41,088	45,159
Total	\$ 1,459,089	\$ 788,291	\$ 2,247,380	\$ 140,415	\$ 215,243	\$ 355,658	\$ 2,603,038	\$ 2,395,310

See notes to financial statements

Annex Teen Clinic, Inc.

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services			Support Services			
	Health Clinic	Health Education	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Salaries	\$ 611,315	\$ 605,961	\$ 1,217,276	\$ 35,816	\$ 61,741	\$ 97,557	\$ 1,314,833
Employee benefits	59,982	60,568	120,550	3,337	5,859	9,196	129,746
Payroll taxes	38,117	42,308	80,425	2,598	3,966	6,564	86,989
Total personnel expenses	709,414	708,837	1,418,251	41,751	71,566	113,317	1,531,568
Participant expense	230,219	33,933	264,152	561	459	1,020	265,172
Professional fees	131,843	56,795	188,638	16,885	18,486	35,371	224,009
Office expense	63,788	27,265	91,053	2,424	7,893	10,317	101,370
Miscellaneous	9,728	1,191	10,919	5,671	3,559	9,230	20,149
Occupancy	36,375	15,805	52,180	4,011	3,624	7,635	59,815
Staff and volunteer development	7,527	5,195	12,722	677	5,862	6,539	19,261
Travel	41	766	807	-	93	93	900
Bad debt	127,907	-	127,907	-	-	-	127,907
Depreciation	27,363	14,413	41,776	697	2,686	3,383	45,159
Total	<u>\$ 1,344,205</u>	<u>\$ 864,200</u>	<u>\$ 2,208,405</u>	<u>\$ 72,677</u>	<u>\$ 114,228</u>	<u>\$ 186,905</u>	<u>\$ 2,395,310</u>

See notes to financial statements

Annex Teen Clinic, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

1. Summary of Significant Accounting Policies

Annex Teen Clinic, Inc. (the Organization) is a Minnesota nonprofit corporation. The purpose of the Organization is to provide primary health care services and health care education to young people in the northern suburbs of Minneapolis.

The programs are as follows:

Health Clinic

This program provides confidential sexuality related health care for adolescents and young adults including pregnancy tests, sexually transmitted disease testing and treatment, HIV testing and contraceptive services.

Health Education

The Annex Teen Clinic education department reached over 6,500 young people, professionals and parents and caregivers with education on a wide range of sexuality topics. The department adapted to the impact of COVID-19 on programming by developing asynchronous education and podcasts for parents and caregivers, participating in virtual resource fairs and increasing their use of technology and social media to deliver education.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a Capital Replacement Reserve.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. The Organization report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. At December 31, 2022 and 2021, the Organization held funds at a local financial institution in excess of federally insured limits.

Accounts Receivable and Doubtful Accounts

The Organization extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally unsecured and the Organization does not charge interest on accounts receivable balances. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. The Organization provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. Allowance for doubtful accounts was \$49,721 and \$61,645 as of December 31, 2022 and 2021, respectively.

Revenue and Revenue Recognition

The Organization recognizes program service fee revenue when the performance obligations of providing the services are met. Patient fees are recorded net of all insurance and sliding fee discounts provided to recipients. The Organization recognizes patient fees as revenue when the service is provided.

The Organization recognizes unconditional contributions when cash, securities or other assets, promises to give or a notification of a beneficial interest is received. Conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under our federal and state contracts and grants. The Organization has not received cost-reimbursable grants that have not been recognized at December 31, 2022 because qualifying expenditures have not yet been incurred.

In the years ended December 31, 2022 and 2021, 54% and 71%, respectively, of contribution revenue was from two donors and three donors, respectively.

Pledges Receivable

Unconditional promises-to-give are recognized in the period the promises are made. The outstanding balance of pledges receivable is \$18,036 and \$110,370 at December 31, 2022 and 2021, respectively. The balance as of December 31, 2021 is essentially due from one donor.

Inventory

Inventory consists of birth control and other medications used in various programs. Inventory is valued at the lower of cost or market, determined on a first-in first-out basis (FIFO).

Property and Equipment

All major expenditures for leasehold improvements and equipment above \$1,500 are capitalized at cost. Depreciation is provided through the use of the straight-line method. Donated property and equipment is valued at estimated market value at the date the gift is received.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses during the years ended December 31, 2022 and 2021.

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. When allocations are required, they are based on the best estimates of management.

Donated Materials, Services and Facilities

The Organization received donated services from a variety of unpaid volunteers assisting the Organization in providing management and programmatic services. However, no amounts for such volunteer efforts have been recognized in the accompanying statements of activities because the criteria for recognition under current accounting standards have not been satisfied. Contributions of materials, services and facilities that meet the criteria for recognition are recorded as support at their estimated fair value.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, unrelated business income may be subject to taxation.

Accounting standards require the Organization to evaluate positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by applicable tax authorities. Management has analyzed tax positions taken by the Organization, and has concluded that as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization's tax returns are subject to review and examination by federal and state authorities. The Organization is not currently under examination by any taxing jurisdiction.

Annex Teen Clinic, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

New Accounting Pronouncements Adopted in the Current Year

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The adoption of this standard had no impact on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021 (calendar year 2022). The adoption of this standard had no impact on the financial statements.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through August 16, 2023, which is the date financial statements were available to be issued.

2. Contingencies

The continuation of funding from federal and other sources is contingent upon availability of funds and project performance. The funds are awarded annually based either upon receipt and approval of a program application or upon completion of a performance review. In addition, expenditures made under federal grants are subject to review and audit by the grantor agencies. Management believes that any liability for reimbursement, which may arise as a result of these audits, is not material to the Organization's financial statements.

3. Property and Equipment

The Organization owned the following at December 31:

	2022	2021	Estimated Useful Lives
Land and building	\$ 910,660	\$ 910,660	15-30 Years
Building and improvements	39,709	9,212	10-15 Years
Furniture and equipment	113,235	113,235	3-10 Years
Construction in progress	-	9,860	
	1,063,604	1,042,967	
Less accumulated depreciation	(464,131)	(423,043)	
	<u>\$ 599,473</u>	<u>\$ 619,924</u>	

Depreciation expense of \$41,088 and \$45,159 was recorded for the years ended December 31, 2022 and 2021, respectively.

Annex Teen Clinic, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

4. Notes Payable

The breakdown of notes payable is as follows:

	December 31,	
	2022	2021
4% promissory note payable to Vision Bank. Payable in monthly amounts of \$1,875 including interest with a balloon payment due January 2025. Secured by the building with a carrying value of \$183,073 at December 31, 2022.	\$ 118,861	\$ 135,926
Less portion due within one year	(17,996)	(17,272)
Long-term portion	<u>\$ 100,865</u>	<u>\$ 118,654</u>

Principal payments required are as follows:

Due in the year ending December 31:	
2023	\$ 17,996
2024	18,738
2025	<u>82,127</u>
Total	<u>\$ 118,861</u>

Interest expense totaled \$5,438 and \$6,793 for the years ended December 31, 2022 and 2021, respectively.

The Organization maintains a \$100,000 line of credit with Bremer Bank at a rate of Index plus 1% that expires January 15, 2025. Principal is due on demand and is secured by all assets of the Organization. There was no outstanding balance at December 31, 2022 and 2021.

5. Member Services Agreement

In September 2008, the Organization became a member of Metropolitan Alliance of Connected Communities, Inc. (also a non-profit), an organization formed to deliver a shared solution for meeting the key administrative functions of finance, human resources and information technology. Professional fees paid to Metropolitan Alliance of Connected Communities, Inc. were \$206,780 for 2022 and \$157,200 for 2021.

Annex Teen Clinic, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

6. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of amounts for the following at December 31:

	2022	2021
Time restrictions:		
Future operations	\$ 145,000	\$ 12,500
Program restrictions:		
Clinical services	37,500	29,500
Health impact	17,011	110,000
	<u>\$ 199,511</u>	<u>\$ 152,000</u>

7. Liquidity and Availability

The following represents the Organization's financial assets at December 31:

	December 31,	
	2022	2021
Financial assets:		
Cash	\$ 295,911	\$ 305,031
Accounts receivable	247,478	335,651
Pledges receivable	18,036	110,370
Total financial assets	<u>561,422</u>	<u>751,052</u>
Less assets not available to be used within one year:		
Net assets with donor restrictions	199,511	152,000
Net assets with restrictions to be met within a year	<u>(199,511)</u>	<u>(152,000)</u>
Total assets not available to be used within one year	<u>-</u>	<u>-</u>
Financial assets available for general expenditures within one year	<u>\$ 561,422</u>	<u>\$ 751,052</u>

The Organization has certain net assets with donor restrictions limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. As part of the Organization's liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Organization has a \$100,000 line of credit that can be used to cover operating expenses, if necessary. See Note 4.

Annex Teen Clinic, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

8. Retirement Plan

The Organization initiated a 403(b) retirement plan January 1, 2009. The plan is funded by discretionary employer profit sharing and matching contributions as well as employee contributions. Employer contributions of \$26,614 and \$27,771 were made in the years ended December 31, 2022 and 2021, respectively.

9. Major Sources of Support and Revenue

Major sources of support and revenue were as follows for the years ended December 31:

	2022	2021
Hennepin County	\$ 779,213	\$ 355,693
State of Minnesota	480,317	415,048

The Organization had receivables from two governmental agencies representing 71% and 39% of accounts receivable as of December 31, 2022 and 2021, respectively.

Given the significant concentration of revenue received from the government agencies including in the table above, if a significant reduction in the level of support were to occur, it is reasonably possible that it might have a significant effect on the Organization's programs and activities.

The Organization provides services within the Twin Cities area. Accounts, grants and pledges receivable are from governments or institutions within the Twin Cities area.

10. Paycheck Protection Program

In April 2020, the Organization entered into a loan facility under the recent government enacted Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and administered by the Small Business Administration (SBA). In January 2021, the Organization entered into a second loan facility with the SBA under CARES (as amended by the Economic Aid Act (EAA) on December 27, 2020). The Organization borrowed \$300,300 and \$304,280 under the loan facilities, respectively. Borrowings under these facilities were unsecured. The loans carried a fixed interest rate of 1% and was to mature in April 2022 and January 2026, respectively. Loans under the PPP had a loan forgiveness feature based on the level of payroll, rent and utilities costs over a 24-week period (covered period) commencing on the date of the loan. No payments were required for 10 months after the end of the Origination's covered period. As of December 31, 2021, the Organization had expended all of the PPP loan funds received on qualified expenses and believes that it is reasonably assured that all of the conditions attached to the PPP loan were met, therefore, the Organization recorded government grant revenue of \$304,280 within its statement of activities for the year ended December 31, 2021. Legal release was received in May 2021 and January 2022, respectively.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act (as amended by the EAA), all organizations are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

11. Management's Plan

Annex Teen Clinic has experienced several challenging financial years, including two consecutive years of negative change in net assets and decreases in cash and cash equivalents. These challenges relate to conditions created by the pandemic and have now been addressed. With the easing of pandemic restrictions and return of pre-pandemic clinical operations, it is expected that the Clinic Program will return to financial health. Public support for the Annex' mission has been strong since our founding in 1971 and is growing due to a heightened awareness and commitment to the importance of reproductive health care access. The Annex Teen Clinic is fortunate to have long-standing and growing financial support through public health contracts with the Minnesota Department of Health and Hennepin County. These contracts remain stable and, in fact, are growing. The only source of revenue that has declined is patient billing revenue. This is a relatively new revenue source for the Organization, but having earned program revenue is valuable and diversifies our revenue sources. This revenue source was stable and growing until the pandemic hit. The Organization entered 2020 with a small clinic staff, while in the process of onboarding a relatively new and less experienced Director of Clinical Operations who has since left. The pandemic created numerous challenges for a small clinic to pivot to pandemic safe clinical procedures and virtual care. The staff did an amazing job of responding to these challenges, but it was very stressful for them, and the Organization experienced the same staffing challenges the larger health sector experienced. Staff turnover, including at the Program Director level, is why the Clinic Program was seeing fewer patients and generating less billing revenue. Our new Director of Clinical Operations has stabilized clinic staffing and operations. Our Nursing and Provider staff are on track to return to serving the patient volumes we were experiencing pre-pandemic. We are confident patient billing revenues will follow.

The Organization has long-standing financial support from the State of Minnesota and Hennepin County. The Organization experienced growth in these contracts and anticipates further growth. Here is a summary of contracts for 2023:

- Minnesota Department of Health Family Planning Special Projects (FPSP) Contract. The Organization has received this funding since 1983. We received a new FPSP contract effective 1/1/2023 through 12/31/2027. This new contract increased our annual funding by \$35,000. In addition, the State Legislature is poised to adopt a budget that includes a 100% increase in FPSP funding and the Annex Teen Clinic is well positioned to benefit from the significant increases proposed for FPSP funds for future years.
- Minnesota Department of Health Eliminating Health Disparities Contract. The Annex has been awarded a new contract effective 7/1/2023 through 6/30/2027 for \$175,000 annually to fund clinical and education services.
- Minnesota Department of Health HIV/EIS Contract. This contract was renewed at \$91,315 annually for the period 1/1/2023 through 12/31/2024 with the option for extension.
- Minnesota Department of Health Community Clinic Grant Program Contract. This contract was renewed at \$45,000 annually for the period 6/30/2023 through 6/29/2024.
- Minnesota Department of Health Regional Health Equity Network Contract. This is a new contract at \$45,000 for the period 1/9/2023 through 12/31/2023.
- Hennepin County Trusted Messengers Contract. This is a new contract at \$20,000.

In addition to the above public contracts, the Organization has been successful securing and retaining support from the Constellation Fund and Otto Bremer Trust as well as the Viiv Foundation, Women's Foundation of Minnesota, and Carlson Family Foundation, among others. In addition, donations from individual donors continues to grow each year.